

TRI-WARD GENERAL HOSPITAL AND CLINIC

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2009, 2008, AND 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/16/10

Tri-Ward General Hospital and Clinic
Financial Statements
and
Independent Auditors' Report
Years Ended December 31, 2009, 2008, and 2007

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Hospital Service District Wards 3, 4, and 10 of the Parish of Union Management's Discussion and Analysis

This section of the Hospital Service District's (the "District") annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2009. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets increased by \$470,056 in 2009 due mainly to the purchase of a computer system to facilitate the use of electronic medical records. Grant money of \$826,000 was received by the District for this purchase. Total assets increased by \$193,580 or 5% in 2008, and \$151,758 or 4% in 2007 compared to an increase of \$286,797 or 9% in 2006.
- Operating revenues increased by \$712,722 due to grants of \$876,000 that were received in 2009. Without this grant money the District would have shown a decrease of \$162,883 in operating revenues. An increase of \$585,499 or 11% in net operating revenues in fiscal year 2008 continued a trend from 2005. In fiscal year 2007 they increased by \$840,649 compared to \$341,816 in fiscal year 2006. Charges for services were increased by 10% in 2007 and 20% in 2008 which explains part of the overall increase in net operating revenues. Operating expenses increased approximately \$409,120 or 7% in 2009, \$605,214 or 12% in 2008, and \$791,447 or 19% in 2007 continuing a trend since 2006. The District had a gain from operations of approximately \$424,188, \$120,586, \$140,301, and \$91,099 for fiscal years 2009, 2008, 2007, and 2006, respectively. This gain is the result of \$876,000 in grant money. Without this money the District would have a loss of \$452,000 due to decreased volume, decrease in Medicare patients and increase in self pay patients. A contributing factor to the 2006 gain was \$93,624 from sale of property.
- The District received revenues for Uncompensated Cost Reimbursement in the amount of \$352,785, \$563,112, \$524,557 and \$472,772, for fiscal years 2009, 2008, 2007, and 2006, respectively.
- The District received property tax revenues of approximately \$259,511, \$272,785, \$248,721, and \$238,881, for fiscal years 2009, 2008, 2007, and 2006, respectively.
- Purchases of capital assets in fiscal year 2009 totaled \$1,332,551. The majority of these purchases were related to the new computer system with all equipment and software installed in FY 2009. In fiscal year 2007 the District revised the capitalization policy to capitalize assets purchased at a cost of \$5,000 or over. In fiscal year 2007, capital acquisitions totaled \$38,811. Equipment purchases were the majority of the purchases. Capital acquisitions in 2006 totaled \$382,660. The major acquisitions in 2006 were the administration building and an upgrade to the computer system.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the District's operations over the past three years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Financial Analysis of the Hospital Service District

The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Assets report information about the Hospital Service District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Net Assets

A summary of the District's Balance Sheets are presented in Table 1 below:

TABLE 1
Condensed Balance Sheets

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total current assets	\$ 2,408,217	\$ 2,112,273	\$ 1,779,674	\$ 1,621,318
Capital assets - net	1,483,767	993,105	1,114,416	1,263,487
Other assets	<u>365,737</u>	<u>682,287</u>	<u>699,995</u>	<u>557,522</u>
 Total assets	 \$ <u>4,257,721</u>	 \$ <u>3,787,665</u>	 \$ <u>3,594,085</u>	 \$ <u>3,442,327</u>
 Current liabilities	 \$ 470,221	 \$ 387,612	 \$ 289,369	 \$ 286,590
Long-term liabilities	513,693	534,462	554,857	573,009
Invested in capital assets, net of related debt	949,305	438,786	541,408	672,329
Temporarily restricted net assets	39,622	22,832	18,151	21,702
Unrestricted net assets	<u>2,284,880</u>	<u>2,403,973</u>	<u>2,190,300</u>	<u>1,888,697</u>
 Total liabilities and net assets	 \$ <u>4,257,721</u>	 \$ <u>3,787,665</u>	 \$ <u>3,594,085</u>	 \$ <u>3,442,327</u>

As can be seen in Table 1, total assets increased in 2009, 2008, 2007, and 2006 by \$470,056, \$193,580, \$151,758, and \$286,797, respectively. The increase in fiscal year 2009 is attributable to increase in long-term assets, mainly the new computer system. The increases in fiscal years 2008 and 2007 are mainly attributable to increases in cash.

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2009, 2008, 2007, and 2006.

TABLE 2
Condensed Statements of Revenues, Expenses, and
Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Net patient service revenue	\$ 5,234,749	\$ 5,330,415	\$ 4,807,810	\$ 3,766,428
Grant revenue	875,605	48,426	24,034	43,733
Contributions	-0-	75	2,886	730
Property tax revenue	259,511	272,785	248,721	238,881
Other revenue	<u>77,170</u>	<u>82,612</u>	<u>65,363</u>	<u>258,393</u>
Total revenues	<u>6,447,035</u>	<u>5,734,313</u>	<u>5,148,814</u>	<u>4,308,165</u>
Expenses:				
Salaries and benefits	2,835,060	2,690,726	2,407,229	2,096,748
Medical supplies and drugs	429,987	460,569	376,930	329,842
Professional fees	1,560,716	1,528,079	1,192,865	953,072
Other expenses	803,483	704,271	769,140	576,198
Insurance	76,747	80,942	74,082	68,686
Depreciation	<u>316,854</u>	<u>149,140</u>	<u>188,267</u>	<u>192,520</u>
Total expenses	<u>6,022,847</u>	<u>5,613,727</u>	<u>5,008,513</u>	<u>4,217,066</u>
Operating income (loss)	424,188	120,586	140,301	91,099
Nonoperating revenues (expenses)				
Interest income	18,160	48,748	49,874	44,064
Interest expense	(24,525)	(25,948)	(26,231)	(27,058)
Gain (loss) on disposal of asset	<u>(1,879)</u>	<u>-0-</u>	<u>-0-</u>	<u>93,624</u>
Excess of revenues over expenses before unrealized gain (loss)	415,944	143,386	163,944	201,729
Change in unrealized gain (loss) on securities	<u>(7,728)</u>	<u>(27,654)</u>	<u>3,187</u>	<u>24,882</u>
Increase (decrease) in unrestricted fund balance	\$ <u>408,216</u>	\$ <u>115,732</u>	\$ <u>167,131</u>	\$ <u>226,611</u>

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Sources of Revenue

Operating Revenue

During fiscal year 2009, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities. On December 30, 2005, the District changed its status for Medicare reimbursement purposes from a prospectively paid (PPS) hospital to a cost based reimbursement or critical access hospital. This change resulted in more reimbursement from Medicare. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, revenue from services provided to physicians, HPSA incentive income, and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payer for the fiscal year ended December 31, 2009.

TABLE 3
Payer Mix by Percentage

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Medicare	37%	50%	48%	49%
Medicaid	13%	20%	23%	19%
Commercial and other third-party payers	40%	22%	20%	18%
Other	<u>10%</u>	<u>8%</u>	<u>9%</u>	<u>14%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Non-operating Income

The District holds investments in its Balance Sheets that are invested primarily in Certificates of Deposit. Total investments were \$317,422, \$649,377, \$667,766, and \$525,972 for 2009, 2008, 2007, and 2006, respectively. Earned interest on investments was \$11,103, \$15,852, \$20,100, and \$11,226 for fiscal years 2009, 2008, 2007, and 2006, respectively.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Assets between 2009, 2008, 2007, and 2006:

Acute patient admissions decreased by 183, increased by 68, decreased by 28, and increased by 46 in 2009, 2008, 2007, and 2006, respectively. Swing bed admissions decreased by 10 and 22 in fiscal years 2009 and 2008, respectively. In fiscal years 2007 and 2006 they increased by 52 and 67, respectively. Inpatient patient activity at the District, as measured by patient (acute & swing) admissions decreased by 30% in fiscal year 2009 compared to a 7% increase in fiscal year 2008. Acute patient days decreased by 884 in 2009 compared to an increases of 435, 394, and 461 in fiscal years 2008, 2007, and 2006, respectively. Decreases in volume lead to decreases in patient revenue. The District has increased patient charges by department in the last three years. This action aided in offsetting the decreases in census days.

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Operating and Financial Performance (Continued)

As a critical access hospital the average length of stay is required to be 3.96 days or less. Average length of stay for acute days decreased slightly from 3.79 in 2008 to 3.71 in 2009. It was 3.13 and 3.10 in fiscal years 2007, and 2006.

Total net patient service revenue decreased by \$95,666 in fiscal year 2009 reflecting the drop in inpatient volume. In fiscal year 2008 revenue increased to \$5,330,415 compared to \$4,807,810 and \$3,766,428 in fiscal years 2007 and 2006, respectively. In fiscal year 2007 Swing Beds were being utilized more effectively with an increase of 470 days over the increase in 2006 of 345 days. An increase in Medicaid Uncompensated cost (Dispro) contributed to the increase in revenues in 2008, 2007, and 2006. Increases in service charges of 20% in fiscal year 2008 coupled with an increase in room & board charges to \$310 were contributing factors to the 2008 increase in net patient revenue. Physical, Occupational, and Speech Therapy services were also offered in fiscal year 2007. Charges for services were increased by 10% in fiscal year 2007. The fiscal year 2006 change can be attributed to change in status to critical access hospital and cost method of reimbursement.

The District's gross accounts receivable decreased by \$522,267 in fiscal year 2009 compared to increases of \$507,740 and \$576,867 in 2008 and 2007, respectively. The poor economic climate has contributed to difficulty in collecting monies owed to the District. The District is utilizing a collection agency to increase the collection percentage. Average days in net accounts receivable increased in 2009 to 84 compared to prior year decreases to 56, 65, and 66 in fiscal years 2008, 2007, and 2006, respectively. The District continues to exert every effort to assist patients in finding funding sources for health care.

Salaries and benefits continue to increase due to pressure to retain experienced personnel. In fiscal year 2009 the District made an extensive effort to keep salaries and benefits at prior year levels. They did increase by \$144,334, which is a smaller increase than in prior years. Salaries and benefits increased by approximately \$283,497, \$310,481, and \$257,455, in fiscal years 2008, 2007, and 2006, respectively. In fiscal year 2007, a 403(b) retirement plan was put into effect with a matching contribution cost of \$12,086 to the District. The number of hours worked annually continues to grow. In 2009, 2008, and 2007, increases of number of hours worked were 2,293, 4,766, and 22,363, respectively. A full year of having a Dietary department contributed to the increase in 2007. The total number of hours worked in 2009, 2008, and 2007 were 147,997, 145,704, and 140,938, respectively. Reasons for the salary and benefit increases include the addition of the central supply department, additional registered nurses in emergency department to comply with regulations, and across the board pay increases of approximately 3% for part of 2009. Workers compensation expense increased as did the 403(b) matching contribution.

The cost of medical supplies decreased by \$30,582 compared to increases of \$83,639 and \$47,088 in fiscal years 2008 and 2007 and a decrease in 2006 of \$25,231. Patient days decreased in 2009 compared to increases in 2008 and 2007.

Medical professional fees grew in 2009 by \$32,637, a much smaller increase than the \$335,214 in fiscal year 2008 which was partially due to a new contract with emergency room and rural health clinic physicians effective July 1, 2008. An increase in 2007 of \$232,928 followed a decrease of \$98,217 in 2006. Rural health clinic visits decreased by 744 to 12,018 following a decrease of 318 to 12,762 in fiscal year 2008. In fiscal year 2007 visits increased by 232 to 13,080.

Provision for bad debts increased in 2009, 2008, and 2007 by \$197,266, \$18,973, and \$91,674, respectively to \$844,874, \$647,608, and \$628,635. Commercial insurance charges increased in fiscal year 2009.

Other expenses, including insurance and depreciation, increased by 28% compared to a decrease of 9% in fiscal year 2008. Depreciation increased \$167,714 due to the new computer system depreciation in 2009.

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Capital Assets

During fiscal year 2009, investment in capital assets equaled \$1,332,551, compared to 2008 with an investment in capital assets which equaled \$27,444. The majority of the investment was in a new computer system. In 2007 the investment equaled \$38,811 compared to \$382,660 in 2006. All are included in Table 4 below.

TABLE 4
Capital Assets

	December 31, <u>2009</u>	December 31, <u>2008</u>	December 31, <u>2007</u>	December 31, <u>2006</u>
Land	\$ 23,454	\$ 23,454	\$ 23,454	\$ 23,454
Land improvements	18,224	18,224	18,224	18,224
Buildings	1,204,876	1,174,453	1,174,453	1,161,778
Fixed equipment	295,026	308,220	295,026	295,026
Major moveable equipment	2,015,271	1,239,269	1,239,269	1,213,133
Transportation equipment	21,874	21,874	21,874	21,874
Minor equipment	<u>1,477</u>	<u>15,727</u>	<u>1,477</u>	<u>1,477</u>
 Total	 3,580,202	 2,801,221	 2,773,777	 2,734,966
Accumulated depreciation	<u>2,096,435</u>	<u>1,808,116</u>	<u>1,659,361</u>	<u>1,471,479</u>
Net property, plant, and equipment	 \$ <u>1,483,767</u>	 \$ <u>993,105</u>	 \$ <u>1,114,416</u>	 \$ <u>1,263,487</u>

Contacting the Hospital Service District's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital Service District's finances and to demonstrate the accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the accompanying financial statements of Tri-Ward General Hospital and Clinic (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, as of and for the years ended December 31, 2009, 2008, and 2007, as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-Ward General Hospital and Clinic as of December 31, 2009, 2008, and 2007, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 19, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Board of Commissioners
Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Page Two

Management's discussion and analysis on pages "i" through "vi" is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Leite, Mulla, & White

Certified Public Accountants
Alexandria, Louisiana
May 19, 2010



Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Balance Sheets
December 31,

ASSETS	2009	2008	2007
Current assets:			
Cash and cash equivalents (Notes 2 & 3)	\$ 353,371	\$ 844,490	\$ 354,304
Accounts receivable, net (Note 4)	1,197,691	816,831	854,923
Estimated third-party payor settlements	215,313	-0-	191,057
Other receivable	367,806	217,712	184,641
Inventory	230,474	208,555	171,667
Prepaid expenses	<u>43,562</u>	<u>24,685</u>	<u>23,082</u>
Total current assets	<u>2,408,217</u>	<u>2,112,273</u>	<u>1,779,674</u>
Assets limited as to use (Note 6)	39,622	23,832	22,766
Property, plant, and equipment, net (Note 5)	1,483,767	993,105	1,114,416
Investments (Note 3)	317,422	649,377	667,766
Other assets (Note 7)	<u>8,693</u>	<u>9,078</u>	<u>9,463</u>
Total assets	\$ <u>4,257,721</u>	\$ <u>3,787,665</u>	\$ <u>3,594,085</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 291,812	\$ 162,581	\$ 138,554
Accrued expenses and withholdings payable (Note 9)	157,640	145,263	132,664
Estimated third-party payor settlements	-0-	59,911	-0-
Current portion of long-term debt (Note 8)	<u>20,769</u>	<u>19,857</u>	<u>18,151</u>
Total current liabilities	<u>470,221</u>	<u>387,612</u>	<u>289,369</u>
Long-term debt (Note 8)	<u>513,693</u>	<u>534,462</u>	<u>554,857</u>
Total liabilities	<u>983,914</u>	<u>922,074</u>	<u>844,226</u>
Net assets:			
Invested in capital assets, net of related debt	949,305	438,786	541,408
Temporarily restricted net assets	39,622	22,832	18,151
Unrestricted net assets	<u>2,284,880</u>	<u>2,403,973</u>	<u>2,190,300</u>
Total net assets	<u>3,273,807</u>	<u>2,865,591</u>	<u>2,749,859</u>
Total liabilities and net assets	\$ <u>4,257,721</u>	\$ <u>3,787,665</u>	\$ <u>3,594,085</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:			
Net patient service revenue (Note 12)	\$ 5,234,749	\$ 5,330,415	\$ 4,807,810
Property tax revenue (Note 13)	259,511	272,785	248,721
Grants (Note 16)	875,605	48,426	24,034
Contributions	-0-	75	2,886
Other operating revenue	<u>77,170</u>	<u>82,612</u>	<u>65,363</u>
Total revenues	<u>6,447,035</u>	<u>5,734,313</u>	<u>5,148,814</u>
Expenses:			
Salaries and benefits	2,835,060	2,690,726	2,407,229
Medical supplies and drugs	429,987	460,569	376,930
Professional fees	1,560,716	1,528,079	1,192,865
Other expenses	803,483	704,271	769,140
Insurance	76,747	80,942	74,082
Depreciation and amortization	<u>316,854</u>	<u>149,140</u>	<u>188,267</u>
Total expenses	<u>6,022,847</u>	<u>5,613,727</u>	<u>5,008,513</u>
Operating income (loss)	424,188	120,586	140,301
Nonoperating revenues (expenses)			
Interest income	18,160	48,748	49,874
Interest expense	(24,525)	(25,948)	(26,231)
Gain (loss) on disposal of assets	<u>(1,879)</u>	<u>-0-</u>	<u>-0-</u>
Excess of revenues (expenses) before unrealized gain (loss)	415,944	143,386	163,944
Change in unrealized gain (loss) on securities	<u>(7,728)</u>	<u>(27,654)</u>	<u>3,187</u>
Excess of revenues (expenses)	408,216	115,732	167,131
Beginning net assets	<u>2,865,591</u>	<u>2,749,859</u>	<u>2,582,728</u>
Ending net assets	\$ <u>3,273,807</u>	\$ <u>2,865,591</u>	\$ <u>2,749,859</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 4,826,457	\$ 5,366,123	\$ 4,636,682
Other receipts from operations	814,400	608,197	244,715
Cash payments to employees and for employee-related cost	(2,782,884)	(2,772,728)	(2,389,010)
Cash payments for other operating expenses	<u>(2,822,682)</u>	<u>(2,678,127)</u>	<u>(2,424,020)</u>
Net cash provided (used) by operating activities	<u>35,291</u>	<u>523,465</u>	<u>68,367</u>
Cash flows from investing activities:			
LHA insurance trust	-0-	(5,842)	-0-
Investments	324,227	(3,423)	(138,607)
Interest income	<u>18,160</u>	<u>48,748</u>	<u>49,874</u>
Net cash provided (used) by investing activities	<u>342,387</u>	<u>39,483</u>	<u>(88,733)</u>
Cash flows from capital and related financing activities:			
Acquisition of property, plant, and equipment	(807,131)	(27,444)	(38,811)
Gain (loss) on disposal of assets	(1,879)	-0-	-0-
Bond issue costs and deposits	385	385	385
Cash invested in assets limited as to use	(15,790)	(1,066)	(1,064)
Payments on long-term debt	(19,857)	(18,689)	(18,151)
Interest expense on long-term debt	<u>(24,525)</u>	<u>(25,948)</u>	<u>(26,231)</u>
Net cash provided (used) by capital and related financing activities	<u>(868,797)</u>	<u>(72,762)</u>	<u>(83,872)</u>
Net increase (decrease) in cash and cash equivalents	(491,119)	490,186	(104,238)
Beginning cash and cash equivalents	<u>844,490</u>	<u>354,304</u>	<u>458,542</u>
Ending cash and cash equivalents	\$ <u>353,371</u>	\$ <u>844,490</u>	\$ <u>354,304</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows (Continued)
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 424,188	\$ 120,586	\$ 140,301
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	316,469	148,755	187,882
Changes in:			
Accounts receivable, net	(380,860)	38,092	(171,145)
Estimated third-party payor settlements	(275,224)	250,968	(47,086)
Other receivable	(150,094)	(33,071)	(42,321)
Inventory	(21,919)	(36,888)	1,095
Prepaid expenses	(18,877)	(1,603)	(3,137)
Accounts payable	129,231	24,027	(15,441)
Accrued expenses and withholdings payable	<u>12,377</u>	<u>12,599</u>	<u>18,219</u>
Net cash provided (used) by operating activities	\$ <u>35,291</u>	\$ <u>523,465</u>	\$ <u>68,367</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>24,525</u>	\$ <u>25,948</u>	\$ <u>26,231</u>
Unrealized gain (loss) recorded to investments and net assets	\$ <u>(7,728)</u>	\$ <u>(27,654)</u>	\$ <u>3,187</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District Wards 3, 4, and 10 of the Parish of Union, State of Louisiana (referred to as the "District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and is referred to as Tri-Ward General Hospital and Clinic.

The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Union Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Union Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, rural health clinic, acute inpatient, and skilled nursing (through "swing beds") services. The District converted to a Medicare critical care hospital (CAH) on December 30, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide – Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposits with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to Union Parish residents and grants credit to patients, substantially all of whom are local residents.

The District's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. Two physicians admit over 90% of the Hospital's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Inventory

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used:

Buildings	15 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are currently credited or charged to nonoperating revenue.

Net Assets

Net assets consist of net assets invested in capital assets (property and equipment), net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Restricted net assets are those assets that are externally restricted by creditors, grantors, contributors, or laws and regulations, or those restricted by constitutional provisions and enabling legislation. Unrestricted net assets consist of all other assets. It is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

The District's statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

As of December 31, 2009, the balances reported by financial institutions for cash totaled \$574,474. Of the total, \$419,784 was covered by federal depository insurance and \$154,690 was collateralized with securities held by the pledging bank in the District's name.

As of December 31, 2008, the balances reported by financial institutions for cash totaled \$1,350,578. Of the total, \$500,000 was covered by federal depository insurance and \$850,578 was collateralized with securities held by the pledging bank in the District's name.

As of December 31, 2007, the balances reported by financial institutions for cash totaled \$864,202. Of the total, \$200,000 was covered by federal depository insurance and \$664,202 was collateralized with securities held by the pledging bank in the District's name.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at December 31, 2009, 2008, and 2007.

Interest Rate Risks – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
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Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amount of deposits and investments are included in the District's balance sheets as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Carrying amount			
Deposits	\$ 353,371	\$ 844,490	\$ 354,304
Investments	202,843	527,070	517,805
Donated stocks	<u>114,579</u>	<u>122,307</u>	<u>149,961</u>
	\$ <u>670,793</u>	\$ <u>1,493,867</u>	\$ <u>1,022,070</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 353,371	\$ 844,490	\$ 354,304
Investments	<u>317,422</u>	<u>649,377</u>	<u>667,766</u>
	\$ <u>670,793</u>	\$ <u>1,493,867</u>	\$ <u>1,022,070</u>

Investment in LHA Trust consists of allocations of equity from the Louisiana Hospital Association Malpractice and Worker's Compensation Trust Funds. Allocations consist of Capital Reserve funds set aside for the District.

Investments in marketable equity securities consist of stocks donated to the District in 1988. An analysis at December 31 is as follows:

		<u>2009</u>	<u>2008</u>	<u>2007</u>
	Shares			
Exxon Corporation	800	\$ 54,552	\$ 63,864	\$ 74,952
Pfizer	3300	<u>60,027</u>	<u>58,443</u>	<u>75,009</u>
Total market value		114,579	122,307	149,961
Less cost basis		<u>(14,456)</u>	<u>(14,456)</u>	<u>(14,456)</u>
Unrealized gain (loss)		\$ <u>100,123</u>	\$ <u>107,851</u>	\$ <u>135,505</u>

Hospital Service District Wards 3, 4, and 10
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Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District records these registered securities under the provision of the FASB Statement No. 115. These securities are classified as available for sale and are therefore recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices as of the fiscal year end.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Patient accounts receivable	\$ 2,133,692	\$ 2,439,965	\$ 1,964,288
Other accounts receivable	<u>1,531</u>	<u>217,525</u>	<u>185,462</u>
	2,135,223	2,657,490	2,149,750
Estimated uncollectibles	<u>(937,532)</u>	<u>(1,840,659)</u>	<u>(1,294,827)</u>
Net patient accounts receivable	\$ <u>1,197,691</u>	\$ <u>816,831</u>	\$ <u>854,923</u>

The following is a summary of the mix of gross receivables from patients and third-party payors at December 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare	39%	25%	23%
Medicaid	19%	12%	15%
Commercial and other third-party payors	10%	11%	13%
Patients	<u>32%</u>	<u>52%</u>	<u>49%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation:

	December 31, 2008	Additions	Dispositions	December 31, 2009
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	18,224	-0-	-0-	18,224
Buildings	1,174,453	30,423	-0-	1,204,876
Fixed equipment	308,220	-0-	13,194	295,026
Major moveable equipment	1,239,269	792,365	16,363	2,015,271
Transportation equipment	21,874	-0-	-0-	21,874
Minor equipment	15,727	-0-	14,250	1,477
Construction in progress	<u>-0-</u>	<u>509,763</u>	<u>509,763</u>	<u>-0-</u>
Total	2,801,221	1,332,551	553,570	3,580,202
Accumulated depreciation	<u>1,808,116</u>	<u>316,469</u>	<u>28,150</u>	<u>2,096,435</u>
Net property, plant, and equipment	\$ <u>993,105</u>	\$ <u>1,016,082</u>	\$ <u>525,420</u>	\$ <u>1,483,767</u>

The following is a summary of property, plant, and equipment and related accumulated depreciation:

	December 31, 2007	Additions	Dispositions	December 31, 2008
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	18,224	-0-	-0-	18,224
Buildings	1,174,453	-0-	-0-	1,174,453
Fixed equipment	295,026	13,194	-0-	308,220
Major moveable equipment	1,239,269	-0-	-0-	1,239,269
Transportation equipment	21,874	-0-	-0-	21,874
Minor equipment	<u>1,477</u>	<u>14,250</u>	<u>-0-</u>	<u>15,727</u>
Total	2,773,777	27,444	-0-	2,801,221
Accumulated depreciation	<u>1,659,361</u>	<u>148,755</u>	<u>-0-</u>	<u>1,808,116</u>
Net property, plant, and equipment	\$ <u>1,114,416</u>	\$ <u>(121,311)</u>	\$ <u>-0-</u>	\$ <u>993,105</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (Continued)

The following is a summary of property, plant, and equipment and related accumulated depreciation:

	December 31, <u>2006</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2007</u>
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	18,224	-0-	-0-	18,224
Buildings	1,161,778	12,675	-0-	1,174,453
Fixed equipment	295,026	-0-	-0-	295,026
Major moveable equipment	1,213,133	26,136	-0-	1,239,269
Transportation equipment	21,874	-0-	-0-	21,874
Minor equipment	<u>1,477</u>	<u>-0-</u>	<u>-0-</u>	<u>1,477</u>
Total	2,734,966	38,811	-0-	2,773,777
Accumulated depreciation	<u>1,471,479</u>	<u>187,882</u>	<u>-0-</u>	<u>1,659,361</u>
Net property, plant, and equipment	\$ <u>1,263,487</u>	\$ <u>(149,071)</u>	\$ <u>-0-</u>	\$ <u>1,114,416</u>

NOTE 6 - ASSETS WHOSE USE IS LIMITED

The following assets are restricted as to use as designated below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Restricted by third-parties</u>			
Bond reserve fund	\$ 19,811	\$ 11,916	\$ 11,383
Bond contingency fund	<u>19,811</u>	<u>11,916</u>	<u>11,383</u>
Total assets limited as to use	\$ <u>39,622</u>	\$ <u>23,832</u>	\$ <u>22,766</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Meter deposits	\$ 1,220	\$ 1,220	\$ 1,220
Unamortized bond issue costs	<u>7,473</u>	<u>7,858</u>	<u>8,243</u>
Total	\$ <u>8,693</u>	\$ <u>9,078</u>	\$ <u>9,463</u>

NOTE 8 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt at December 31, 2009, 2008, and 2007:

	<u>December 31, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31, 2009</u>	<u>Due Within One Year</u>
Series 2002 Hospital Revenue Bonds	\$ <u>554,319</u>	\$ <u>-0-</u>	\$ <u>19,857</u>	\$ <u>534,462</u>	\$ <u>20,769</u>
Total	\$ <u>554,319</u>	\$ <u>-0-</u>	\$ <u>19,857</u>	\$ <u>534,462</u>	\$ <u>20,769</u>

	<u>December 31, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31, 2008</u>	<u>Due Within One Year</u>
Series 2002 Hospital Revenue Bonds	\$ <u>573,008</u>	\$ <u>-0-</u>	\$ <u>18,689</u>	\$ <u>554,319</u>	\$ <u>19,857</u>
Total	\$ <u>573,008</u>	\$ <u>-0-</u>	\$ <u>18,689</u>	\$ <u>554,319</u>	\$ <u>19,857</u>

	<u>December 31, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31, 2007</u>	<u>Due Within One Year</u>
Series 2002 Hospital Revenue Bonds	\$ <u>591,159</u>	\$ <u>-0-</u>	\$ <u>18,151</u>	\$ <u>573,008</u>	\$ <u>18,151</u>
Total	\$ <u>591,159</u>	\$ <u>-0-</u>	\$ <u>18,151</u>	\$ <u>573,008</u>	\$ <u>18,151</u>

The following is the term and due date of the Hospital's long-term debt at December 31:

- Series 2002 Hospital Service Bonds at 4.5%, due in 2027, collateralized by a pledge and dedication of District revenue.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 8 - LONG-TERM DEBT (Continued)

On August 20, 2002, the Series 2002 Hospital Revenue Bonds were issued. The bonds are secured by a lien and privilege on the District's income and revenues.

The District has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the District.

Other requirements under the terms of indebtedness are as follows:

- Sale or disposition of District property, plant, and equipment is limited. Future debt agreements may not take priority over this series of debt.
- Create and maintain three funds:
- Sinking Fund: Make monthly deposits equal to pro rata portion of the next principal and/or interest payment.
- Reserve Fund: Make monthly deposits equal to 5% of the amount to be paid into the "Sinking Fund" until there has been accumulated a sum equal to the highest principal and interest falling due in any year on the bonds payable from the "Sinking Fund" as a Debt Service Reserve (the "Debt Service Requirement").
- Contingency Fund: Make monthly deposits equal to 5% of the amount paid into the "Sinking Fund". When a sum equal to the Debt Service Requirement has been accumulated in the "Reserve Fund" the monthly payments shall be increased to 10% of the amount being paid monthly into the "Sinking Fund".
- Maintain all assets in first class repair and working order.
- Carry full insurance coverage with a responsible licensed Louisiana company.
- Maintain complete and accurate records and have an annual audit.
- Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.
- Submit an audit report in accordance with OMB Circular A-133 within the earlier of 30 days after the borrower's receipt of the auditor's report or nine months after the end of the audit period.

Hospital Service District Wards 3, 4, and 10
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Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 8 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt are as follows:

<u>Year ending December 31,</u>	<u>Long-term Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 21,724	\$ 22,658	\$ 44,382
2012	22,721	21,661	44,382
2013	23,765	20,617	44,382
2014	24,857	19,525	44,382
2015	25,999	18,383	44,382
2016-2020	149,046	72,864	221,910
2021-2025	186,576	35,334	221,910
2026-2027	<u>59,005</u>	<u>1,929</u>	<u>60,934</u>
Total	\$ <u>513,693</u>	\$ <u>212,971</u>	\$ <u>726,664</u>

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31 consist of the following:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Accrued interest	\$ 795	\$ 795	\$ 795
Accrued payroll taxes	5,767	4,786	3,751
State and federal income taxes payable	2,473	2,732	2,315
State unemployment tax payable	1,988	2,548	2,436
Accrued expenses	8,120	12,118	1,149
Accrued vacation	64,351	57,971	68,676
Accrued payroll	<u>74,146</u>	<u>64,313</u>	<u>53,542</u>
Total	\$ <u>157,640</u>	\$ <u>145,263</u>	\$ <u>132,664</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 11 - RETIREMENT PLAN

On June 30, 2007, the District began the Tri-Ward General Hospital 403(b) Plan, which is a tax sheltered annuity (TSA) plan for employees of certain tax-exempt organizations. The plan was established in accordance with Section 403(b) of the *Internal Revenue Code of 1986*, as amended. Security Benefits is the Plan's third party administrator. At December 31, 2009 there were 26 plan members. Employees are eligible to participate in the plan beginning on the date of hire, with a maximum contribution of up to 100% of compensation, for those under age 50 not to exceed \$16,500 in 2009, for those 50 or older \$21,500 is the contribution limit for 2009. The District has elected to match 100% of the first 2% of the participating employees' compensation deferred to the plan. The District may choose to make annual discretionary non-elective contributions based on the employees' compensation during the plan year. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions. The District has a five-year vesting schedule that applies to the employer matching and non-elective contributions. The District's contributions were \$27,878, \$26,264 and \$12,086 compared to employee contributions of \$68,697, \$71,555 and \$39,786 for the years ended December 31, 2009, 2008 and 2007.

NOTE 12 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Prior to December 30, 2005, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis with a hold harmless provision for cost reimbursement. Swing Bed routine services were reimbursed based on a prospectively determined rate per patient day. Rural health clinic services continue to be reimbursed based on a cost based reimbursement methodology. Effective December 30, 2005, the District became a "Critical Access Hospital" (CAH). This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2008.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid on a prospectively determined fee schedule. Rural health clinic services are paid based on a prospectively determined rate per visit until June 30, 2008 when it changed to a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2007.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The following is a summary of the Hospital's net patient service revenues for the years ended December 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross patient service revenues	\$ 6,989,441	\$ 7,545,242	\$ 6,028,495
Medicare and Medicaid contractual adjustments	(711,313)	(1,600,579)	(818,704)
Provision for bad debt	(844,874)	(647,608)	(628,635)
Administrative and other adjustments	(551,290)	(529,752)	(297,903)
Uncompensated care reimbursement	<u>352,785</u>	<u>563,112</u>	<u>524,557</u>
Net patient service revenues	\$ <u>5,234,749</u>	\$ <u>5,330,415</u>	\$ <u>4,807,810</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The District receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid charges for the years ended December 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare and Medicaid charges	\$ 3,840,501	\$ 4,510,121	\$ 3,615,741
Contractual adjustments	<u>(711,313)</u>	<u>(1,600,579)</u>	<u>(818,704)</u>
Program patient service revenue	\$ <u>3,129,188</u>	\$ <u>2,909,542</u>	\$ <u>2,797,037</u>
Percent of total gross patient charges	<u>55%</u>	<u>60%</u>	<u>60%</u>
Percent of total net patient revenues	<u>60%</u>	<u>55%</u>	<u>58%</u>

The District received interim amounts of \$352,785, \$563,112, and \$524,557 for Medicaid and self-pay uncompensated care services (UCC) for the years ended December 31, 2009, 2008, and 2007, respectively, which represents 7%, 11%, and 11% of net patient revenues. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Current regulations do not provide for settlement of underpayments by Medicaid. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. Future UCC payments are dependent upon State appropriations, which require annual approval by the State legislature.

NOTE 13 - PROPERTY TAX REVENUE

The District levies property taxes for the maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The lien date is January 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills tax, which expired December 31, 2005, was renewed for the period 2006 through 2015. The 5.34 mills tax, which expired in 2001, was renewed for the period 2002 through 2011.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

NOTE 15 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 15 - CONTINGENCIES (Continued)

Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk - The District carries worker's compensation insurance through the Louisiana Hospital Association Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Litigation and other matters in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determination in the case where liability can be measured.

NOTE 16 - GRANT REVENUE

In 2009, the District received grants totaling \$875,605. They included a Small Rural Hospital Improvement Grant Program (SHIP) grant of \$8,512, a Medicare Rural Hospital Flexibility (FLEX) grant of \$30,880, a Health Resources & Services Administration (HRSA) grant of \$9,973 and a grant from Department of Health & Hospitals and the Rural Hospital Coalition of \$826,240 to be used to participate in the Louisiana Health Information Exchange (LARHIX).

In 2008, the District received three grants totaling \$48,426. They included a Small Rural Hospital Improvement Grant Program (SHIP) grant of \$8,500, a Medicare Rural Hospital Flexibility (FLEX) grant of \$24,583 and a Health Resources & Services Administration (HRSA) grant of \$15,343.

In 2007, the District received three grants totaling \$24,034. They included a FLEX grant of \$5,200, a HRSA grant of \$18,334 and a Delta Community Encourager grant of \$500.

NOTE 17 - COMMITMENTS

The District entered into a one year contract with a physician group on July 1, 2008. This agreement provides for coverage of the rural health clinic and the emergency room. This contract provides for payments to the physicians based on a productivity formula for rural health visits and an hourly rate for emergency room services. Effective July 1, 2009, this contract was renewed on a month to month basis.

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2009, 2008, and 2007

NOTE 18 - REHABILITATION HOSPITAL ARRANGEMENT

In January, 2003, the rehabilitation hospital that leased space and purchased ancillary services from the District filed for reorganization under Chapter 11 Bankruptcy. The District terminated this arrangement in November 2004. The rehabilitation hospital was indebted to the District for \$210,659, \$210,659, and \$198,827 for the years ended December 31, 2009, 2008, and 2007, respectively. An allowance was established equal to the amount due from the rehab hospital as collectibility was uncertain. In fiscal year 2009 management decided to remove this receivable and allowance from the District's books due to the probability of collection being estimated at zero. This action had no effect on income.

NOTE 19 - SUBSEQUENT EVENT

Events have been evaluated through May 19, 2010 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Net Patient Service Revenue
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Daily patient services:			
Room and board	\$ 421,600	\$ 721,056	\$ 455,579
Swing	<u>163,990</u>	<u>212,660</u>	<u>226,580</u>
Total daily patient services	<u>585,590</u>	<u>933,716</u>	<u>682,159</u>
Other professional services:			
Radiology			
Inpatient	102,818	108,281	74,045
Outpatient	<u>223,511</u>	<u>213,996</u>	<u>145,499</u>
Total radiology	<u>326,329</u>	<u>322,277</u>	<u>219,544</u>
Laboratory			
Inpatient	269,084	282,640	186,549
Outpatient	<u>854,806</u>	<u>695,448</u>	<u>542,055</u>
Total laboratory	<u>1,123,890</u>	<u>978,088</u>	<u>728,604</u>
Blood			
Inpatient	17,046	122,182	68,937
Outpatient	<u>770</u>	<u>11,270</u>	<u>5,690</u>
Total blood	<u>17,816</u>	<u>133,452</u>	<u>74,627</u>
Respiratory therapy			
Inpatient	494,013	623,348	442,998
Outpatient	<u>73,124</u>	<u>44,124</u>	<u>19,882</u>
Total respiratory therapy	<u>567,137</u>	<u>667,472</u>	<u>462,880</u>
Physical therapy			
Inpatient	84,964	93,546	132,925
Outpatient	<u>135,932</u>	<u>162,670</u>	<u>240,068</u>
Total physical therapy	\$ <u>220,896</u>	\$ <u>256,216</u>	\$ <u>372,993</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Net Patient Service Revenue (Continued)
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Occupational therapy			
Inpatient	\$ 74,720	\$ 95,412	\$ 64,149
Outpatient	<u>114,417</u>	<u>189,554</u>	<u>115,912</u>
Total occupational therapy	<u>189,137</u>	<u>284,966</u>	<u>180,061</u>
Speech therapy			
Inpatient	4,939	3,225	1,170
Outpatient	<u>2,447</u>	<u>7,687</u>	<u>3,200</u>
Total speech therapy	<u>7,386</u>	<u>10,912</u>	<u>4,370</u>
EKG			
Inpatient	6,954	7,772	5,128
Outpatient	<u>25,603</u>	<u>23,841</u>	<u>17,320</u>
Total EKG	<u>32,557</u>	<u>31,613</u>	<u>22,448</u>
Medical supply			
Inpatient	251,662	208,629	217,527
Outpatient	<u>111,107</u>	<u>134,343</u>	<u>112,141</u>
Total medical supply	<u>362,769</u>	<u>342,972</u>	<u>329,668</u>
Pharmacy			
Inpatient	763,591	968,682	804,811
Outpatient	<u>191,844</u>	<u>259,588</u>	<u>229,181</u>
Total pharmacy	<u>955,435</u>	<u>1,228,270</u>	<u>1,033,992</u>
Rural health clinic			
Physician services	1,101,304	1,121,413	1,057,101
Ancillary income	<u>33,399</u>	<u>34,249</u>	<u>33,429</u>
Total rural health clinic	\$ <u>1,134,703</u>	\$ <u>1,155,662</u>	\$ <u>1,090,530</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Net Patient Service Revenue (Continued)
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Emergency room			
Inpatient	\$ 401,713	\$ 452,655	\$ 323,070
Outpatient	<u>1,031,304</u>	<u>740,219</u>	<u>498,032</u>
Total emergency room	<u>1,433,017</u>	<u>1,192,874</u>	<u>821,102</u>
Monitor			
Inpatient	7,190	6,070	3,178
Outpatient	<u>25,589</u>	<u>682</u>	<u>2,339</u>
Total monitor	<u>32,779</u>	<u>6,752</u>	<u>5,517</u>
Total other professional services	<u>6,403,851</u>	<u>6,611,526</u>	<u>5,346,336</u>
Gross patient service charges	<u>6,989,441</u>	<u>7,545,242</u>	<u>6,028,495</u>
Deductions from charges:			
Medicare and Medicaid contractual adjustments	711,313	1,600,579	818,704
Provision for bad debt	844,874	647,608	628,635
Administrative and other adjustments	551,290	529,752	297,903
Uncompensated care reimbursement	<u>(352,785)</u>	<u>(563,112)</u>	<u>(524,557)</u>
Total deductions from charges	<u>1,754,692</u>	<u>2,214,827</u>	<u>1,220,685</u>
Net patient service revenue	\$ <u>5,234,749</u>	\$ <u>5,330,415</u>	\$ <u>4,807,810</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Other Operating Revenue
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
HPSA incentive	\$ 21,505	\$ 15,261	\$ 12,838
Dietary revenue	9,585	13,226	14,770
Health information	4,776	3,294	913
Discounts taken	16,881	14,511	11,358
Pharmacy revenue	8,771	-0-	1,325
Billing for physicians	14,174	35,016	22,910
Miscellaneous revenue	<u>1,478</u>	<u>1,304</u>	<u>1,249</u>
 Total other revenue	 \$ <u>77,170</u>	 \$ <u>82,612</u>	 \$ <u>65,363</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Expenses - Salaries and Benefits
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administration	\$ 337,444	\$ 443,917	\$ 387,236
Plant maintenance	77,388	67,154	61,275
Laundry	174	335	911
Housekeeping	57,694	65,152	67,466
Dietary	75,759	75,770	73,429
Nursing administration	133,619	150,734	123,724
Health information	158,408	137,627	114,660
Nursing services	737,741	659,898	620,398
Radiology	91,909	95,340	98,105
Laboratory	188,644	189,585	177,182
Respiratory therapy	39,840	36,305	25,694
EKG and EEG	282	1,195	2,184
Pharmacy	57,908	61,160	60,208
Rural health clinic	262,870	142,581	147,846
Emergency room	<u>214,322</u>	<u>186,043</u>	<u>104,348</u>
 Total salaries	 <u>2,434,002</u>	 <u>2,312,796</u>	 <u>2,064,666</u>
 FICA/LUC	 188,723	 175,688	 158,580
Health/life insurance	140,536	124,215	133,588
403(b) matching contribution	27,878	26,264	12,086
Worker's compensation	<u>43,921</u>	<u>51,763</u>	<u>38,309</u>
 Total benefits	 <u>401,058</u>	 <u>377,930</u>	 <u>342,563</u>
 Total salaries and benefits	 \$ <u>2,835,060</u>	 \$ <u>2,690,726</u>	 \$ <u>2,407,229</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Expenses - Medical Supplies and Drugs
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Nursing services	\$ 15,218	\$ 18,780	\$ 18,078
Radiology	555	1,803	1,470
Laboratory	97,572	83,500	66,642
Blood	42,597	42,599	27,019
Respiratory therapy	18,268	18,053	14,968
Physical therapy	(96)	453	6,179
EKG	272	(913)	1,599
Pharmacy	236,896	276,304	228,576
Rural health clinic	7,873	4,091	5,263
Emergency room	10,712	14,896	5,172
Monitor supplies	<u>120</u>	<u>1,003</u>	<u>1,964</u>
 Total medical supplies and drugs	 \$ <u>429,987</u>	 \$ <u>460,569</u>	 \$ <u>376,930</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Expenses - Professional Fees
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Health information	\$ 2,764	\$ 3,237	\$ 10,170
Nursing	96,747	37,225	30,026
Radiology	17,499	17,474	8,708
Laboratory	65,050	72,283	59,730
Physical therapy	99,873	86,482	68,823
Occupational therapy	68,100	67,948	53,414
Speech therapy	8,152	11,085	2,023
Rural health clinic	462,226	495,064	468,875
Emergency room	<u>740,305</u>	<u>737,281</u>	<u>491,096</u>
 Total professional fees	 \$ <u>1,560,716</u>	 \$ <u>1,528,079</u>	 \$ <u>1,192,865</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Expenses - Other Expenses
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Purchased services	\$ 146,562	\$ 69,093	\$ 58,627
Accounting and legal	78,077	52,709	68,246
Non medical supplies	163,488	224,230	215,913
Repairs and maintenance	154,657	93,648	99,878
Utilities	69,663	90,186	75,969
Telephone	38,531	41,685	83,734
Travel	10,379	7,280	1,543
Rentals	43,417	31,657	71,468
Training	11,870	19,700	17,694
Promotion and advertising	3,142	5,516	4,768
Licensing and publications	46,755	33,312	31,221
Miscellaneous	16,071	13,409	19,615
Tax assessor fees	<u>20,871</u>	<u>21,846</u>	<u>20,464</u>
 Total other expenses	 \$ <u>803,483</u>	 \$ <u>704,271</u>	 \$ <u>769,140</u>

Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedules of Per Diem and Other Compensation Paid to Board Members
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Board members:			
Isaac Payne	\$ 280	\$ 480	\$ 480
Nita Green	-0-	200	440
Jennifer Lenard	-0-	200	400
Mark Deason	-0-	240	80
Bobby Couch	280	400	440
John Mabry	280	200	-0-
Stan Elkins	-0-	-0-	-0-
Joe Barron	-0-	-0-	-0-
	<hr/>	<hr/>	<hr/>
Total	\$ <u>840</u>	\$ <u>1,720</u>	\$ <u>1,840</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the financial statements of the business-type activities of Tri-Ward General Hospital and Clinic (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2009, 2008, and 2007, and have issued our report thereon dated May 19, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and that we consider to be significant deficiencies in internal control over financial reporting: 2009-1, 2009-2, 2009-3, 2009-4, and 2009-5. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Commissioners
Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance and no other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item: 2009-6.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Lester Melle & Wells

Certified Public Accountants
Alexandria, Louisiana
May 19, 2010



**Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedule of Findings
Year Ended December 31, 2009**

Current Year Findings

Internal Control

2009-1 – Reconciliations

Finding: Reconciliations of some subsidiary ledgers were not being performed on a monthly basis. This can affect the accuracy of interim financial information.

Recommendation: We recommend performing monthly reconciliations of all subsidiary ledgers to the general ledger.

Management's Response: All subsidiary ledgers are being reconciled on a monthly basis.

2009-2 – Retirement

Finding: Submission of employee retirement funds was not done in a timely fashion.

Recommendation: We recommend educating staff in regulations pertaining to 403(b) plans to prevent violation of regulations in the future. Supervision of staff is also recommended.

Management's Response: Management is now verifying that funds are submitted in a timely manner each month.

2009-3 – Financial Statements

Fiscal Year Initially Reported: December 31, 2007

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the knowledge and/or resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditor's preparation of the District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Management's Response: Management has reviewed this comment and feels that the extreme cost to recruit and train personnel to perform these tasks would not be beneficial at this time. Management feels that personnel and training costs would greatly exceed CPA fees for this task.

Resolution: This matter has not been resolved.

**Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedule of Findings
Year Ended December 31, 2009**

Current Year Findings (Continued)

Internal Control (Continued)

2009-4 – Segregation of Duties

Fiscal Year Initially Reported: December 31, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Management's Response: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

Resolution: This matter has not been resolved.

2009-5 – Cellular Phones

Fiscal Year Initially Reported: December 31, 2006

Finding: We noted the following with regards to the District's cell phone policy. 1) Employees, not just on-call or department heads, were able to have up to three phones through the District's plan. 2) Employees were not being billed timely for their overage of the base fee that should be collected either through payroll deductions or direct payments from employees. 3) Significant time is required to administer the District's cell phones. 4) Cingular incorrectly billed the District during the year which contributed to the above problems.

Recommendation: We suggest that the District's cell phone policy should be assessed to determine whether providing this service to employees is administratively feasible. We suggest the District's cell phone policy be revised to exclude any phones other than those provided to on-call personnel or department heads. A complete analysis of the outstanding amounts due from employees should be made immediately and employees should be appropriately billed.

Management's Response: The policy has been revised and all cell phones have been removed from the plan except for department heads and on-call personnel. Collection of employee overages has proceeded throughout the year.

Resolution: This matter has been resolved.

**Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedule of Findings
Year Ended December 31, 2009**

Current Year Findings (Continued)

Compliance

2009-6 – Sinking Fund

Fiscal Year Initially Reported: December 31, 2008

Finding: We found the District to be out of compliance with the sinking fund requirements for the revenue bond covenants. The balance in the sinking fund was lower than the amount required by bond covenants.

Recommendation: We recommend increasing the sinking fund to the required amount and monitoring this balance on an ongoing basis.

Management's Response: Management will immediately increase the sinking fund to meet the bond covenant.

Resolution: This matter has been resolved.

**Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedule of Findings
Year Ended December 31, 2009**

Prior Years' Findings

Compliance

2008-1 – Sinking Fund

Finding: We found the District to be out of compliance with the sinking fund requirements for the revenue bond covenants. The balance in the sinking fund was lower than the amount required by bond covenants.

Recommendation: We recommend increasing the sinking fund to the required amount and monitoring this balance on an ongoing basis.

Management's Response: Management will immediately increase the sinking fund to meet the bond covenant.

Resolution: See current year finding 2009-6.

**Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedule of Findings
Year Ended December 31, 2009**

Prior Years' Findings (Continued)

Internal Control

2007-1 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the knowledge and/or resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditor's preparation of the District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Management's Response: Management has reviewed this comment and feels that the extreme cost to recruit and train personnel to perform these tasks would not be beneficial at this time. Management feels that personnel and training costs would greatly exceed CPA fees for this task.

Resolution: See current year finding 2009-3.

2007-2 – Segregation of Duties

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Management's Response: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

Resolution: See current year finding 2009-4.

**Hospital Service District Wards 3, 4, and 10
Of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Schedule of Findings
Year Ended December 31, 2009**

Prior Years' Findings (Continued)

Internal Controls (Continued)

2006-1 – Cellular Phones

Finding: We noted the following with regards to the District's cell phone policy. 1) Employees, not just on-call or department heads, were able to have up to three phones through the District's plan. 2) Employees were not being billed timely for their overage of the base fee that should be collected either through payroll deductions or direct payments from employees. 3) Significant time is required to administer the District's cell phones. 4) Cingular incorrectly billed the District during the year which contributed to the above problems.

Recommendation: We suggest that the District's cell phone policy should be assessed to determine whether providing this service to employees is administratively feasible. We suggest the District's cell phone policy be revised to exclude any phones other than those provided to on-call personnel or department heads. A complete analysis of the outstanding amounts due from employees should be made immediately and employees should be appropriately billed.

Management's Response: The policy has been revised and all cell phones have been removed from the plan except for department heads and on-call personnel. Collection of employee overages has proceeded throughout the year.

Resolution: See current year finding 2009-5.